



# *CITY COUNCIL*

## *Committee of the Whole*

**Monday, June 13, 2011**

**Council Office**

**5:00 pm**

**Agenda**

*Although Council committee meetings are open to the public, public comment is not permitted at Council Committee of the Whole meetings. However, citizens are encouraged to attend and observe the meetings. Comment from citizens or professionals during the meeting may be solicited on agenda topics via invitation by the President of Council.*

- I. Elm View Apartments**
- II. CD Loan Forgiveness**
- III. Agenda Review**
- IV. Executive Session – Charter Board Appeal**



# ***COMMITTEE of the WHOLE***

## ***CITY COUNCIL***

**MINUTES**  
**May 23, 2011**  
**5:00 P.M.**

### **COUNCIL MEMBERS PRESENT:**

D. Reed, S. Marmarou, J. Waltman, V. Spencer, D. Sterner, F. Acosta, M. Goodman-Hinnershitz

### **OTHERS PRESENT:**

L. Kelleher, S. Katzenmoyer, F. Denbowski, C. Geffken, C. Younger, W. Heim

Mr. Spencer called the Committee of the Whole meeting to order at 5:05 p.m.

### **I. Executive Session - Personnel**

Council entered executive session at 5:07 pm to discuss a Police personnel issue.

Mr. McMahon arrived at 5:17 pm.

Council exited executive session at 5:24 pm.

### **II. Executive Session – Water Authority Contract Negotiations**

John Miravich joined the meeting at this time.

Council entered executive session at 5:25 pm to discuss contract negotiations.

Council exited executive session at 5:57 pm.

### **III. Executive Session – Charter Board Investigation #31 Appeal**

Council entered executive session at 5:58 pm to discuss litigation.

Council exited executive session at 6:17 pm.

### **IV. Sewer Fund Investigation**

Mr. Spencer stated that the letters have been sent and most responses have been received. Ms. Kelleher stated that responses were not received from Tammi Kipp and Dawn Cieniewicz.

Mr. Spencer stated that most respondents claimed to have no information and questioned the next steps Council would like to take.

Ms. Kelleher questioned if the information from Mr. Geffken would satisfy Council.

Ms. Goodman-Hinnershitz expressed her belief that the written responses do provide background information and that it would be unproductive to pursue the issue further.

Mr. Sterner questioned the additional \$15 million in transfers made which were not repaid. Mr. Geffken stated that Herbein has determined that no repayment is needed for these transfers.

Mr. Sterner questioned why the practice of making these transfers continued when the Administration should have seen that the amounts could no longer be repaid. Mr. Geffken explained that all funds were contained in one account and that the extra transfers were used to balance the budget and were treated as donations. He stated that the City repaid them when it was able and that these transactions are being cleared based on the City's audit.

Mr. Waltman cautioned Council about putting these responses on the record.

Mr. Robinson arrived at this time.

Mr. McMahon noted that he found it interesting that Mr. Churchill claimed to have no knowledge of the transfers.

Mr. Waltman expressed his belief that the respondents know more than they were willing to put in writing and that they needed to know the cash position of the City. Mr. Geffken stated that all funds were in one account and that the City always had

funds available.

Mr. Waltman expressed his belief that the respondents' stating they did not know about these transactions shows a problem with controls. He noted his concern with control issues. He again recommended that Council not submit these comments as part of the public record.

Mr. Geffken stated that the information covered in his memos dates to 2007.

Ms. Goodman-Hinnershitz stated that financial controls should be tested by the auditor. She suggested that the City increase its demands for the annual audit. Mr. Geffken stated that in addition, City Council is receiving monthly financial updates.

Ms. Goodman-Hinnershitz suggested using the information received to form future recommendations.

Mr. Waltman stated that the information received is not useful.

Mr. Marmarou stated that a similar situation happened under Mayor Kubacki and controls were increased at the time to ensure it did not happen again.

Ms. Reed expressed the belief that these responses are incomplete and unsatisfactory. She stated that accepting them would set a precedent that this type of response is acceptable and suggested that they not be made part of the public record.

Mr. Waltman stated that he did not support the ordinance as he felt responses would be just as received. He stated that the responses are unacceptable and that the concern regarding missing funds has been addressed.

Mr. Spencer stated that Council has subpoena power. Mr. Younger stated that there is no guarantee that additional information will be gathered.

Mr. Spencer stated that as no funds are missing there is no criminal action to be taken. He questioned Council's next steps.

Mr. Sterner expressed his belief that Council not move forward as no new information will be received. He stated that he believes these responses should be part of the public record.

Mr. Acosta expressed his belief that the responses are unrealistic and irresponsible. He stated that Council has the responsibility to ensure that this situation does not occur again in the future. He stated that all responses should be included in the public record

to reflect these professionals' competency.

Ms. Reed stated that the City is also revisiting another problem from the past – uncollectible CD loans. She expressed her belief that if these responses are accepted that it is dumbing-down this Council and future Councils who initiate investigations. She stated that this would decrease public trust.

Mr. Marmarou stated that the City owes the public an answer and that these responses do not provide that answer.

Ms. Goodman-Hinnershitz stated that the responses would need to be formalized into a findings report which could state that the responses were insufficient and that they are unacceptable.

Mr. Marmarou stated that the City had to appear in Court to get permission for the unfunded debt. He suggested that the investigation be turned over to the District Attorney who could convene a grand jury.

Mr. Acosta expressed his belief that the people who responded should have been fully involved in the situation. If they respond "I don't know" the public should know that since these professionals are not accountable. He suggested that the responses be made part of the public record.

Mr. Spencer stated that the body must decide on a course of action. He stated that there is currently no consensus. This item will be discussed further on Monday, June 6 at the conclusion of the Committee meetings.

Bruce Becker joined the meeting at this time.

## **V. Agenda Review**

Council reviewed this evening's agenda including the following:

Resolutions settling the zoning appeal for 132 S 9th St

Mr. Younger stated that this resolution will enter the settlement agreement in this matter which will allow the preparation and serving of food at this establishment and set the number of residents at seven and the number of supervisors at two

Resolution regarding the loan for the Elm View Apartments

Mr. Geffken stated that the Administration is requesting that this resolution be tabled.

He stated that this resolution would forgive past loans which causes budget implications.

Mr. Becker stated that the apartments are rented to low income residents and that the current owners are losing approximately \$100,000 per year which is causing the property to deteriorate. He stated that if this resolution is passed that he would use the \$70,000 grant to make improvements to the property, such as replace the windows.

Mr. Geffken stated that he learned of this transaction late last week and has been in discussions with staff. He stated that discussions are incomplete and the resolution is not finalized.

Mr. Spencer inquired about this transaction with the Redevelopment Authority as it is in Ricktown. He stated that in light of its location, it must succeed. He stated that this resolution would forgive approximately \$200,000. He explained that \$185,000 is due the City and that the City is in first position to recoup the funds. He stated that the City repeatedly gives up this position and that Council must understand all the options and the complete financial situation.

Mr. Acosta stated that Council finding out about these types of issues at the 11th hour is problematic. He stated that there are communication problems.

Mr. Spencer stated that the Redevelopment Authority was also unaware of this transaction. He stated that the Redevelopment Authority is currently working on plans for properties inside the Ricktown area. He stated that Council is repeatedly asked to forgive loans.

Mr. Becker explained that the forgiveness would be for \$150,000 and that he would be paying the rest of the amount.

Mr. Spencer stated that this is taxpayer money and he does not feel sympathetic to the owner. He stated that he and the rest of Council must look out for what is in the best interest of the City. He stated that Council is the steward of City funding and he supports the Administration's request to table the resolution.

Mr. Becker stated that he is a responsible landlord who lives in the area. He stated that he has the tools and knowledge to make this project a success. He stated that he has a small window as the settlement of the building is approaching.

Resolution marking CD loans as uncollectible

Mr. Robinson explained that marking these loans as uncollectible is a recommendation

by PFM in the Act 47 Recovery Plan. He stated that this would remove the loans from the City's books.

Mr. Spencer explained that two separate law firms have looked at the loans and made the same recommendation.

Mr. Marmarou stated that the City has lost another \$1.8 million on these loans.

Mr. Acosta stated that these loans were by corporations who can manipulate the system but that the City aggressively pursues citizens who are unable to pay their taxes. He suggested publicizing these businesses in a "Wall of Shame." Mr. Younger stated that this is possible in some cases.

Mr. Spencer added that there could also be defamation suits.

The meeting adjourned at 7:04 pm.

Respectfully  
Submitted  
*Linda A. Kelleher, CMC, City Clerk*

**RESOLUTION NO. \_\_\_\_\_**

WHEREAS, the City of Reading and the Elm View Apartments Limited Partnership entered into a certain Loan Agreement dated June 22, 1995; and

WHEREAS, the Elm View Apartments Limited Partnership has notified the City of Reading of its intent to enter into an Agreement of Sale of the subject project's property and potential assignment of the City of Reading's loan; and

WHEREAS, the City of Reading has determined that the sale of the Elm View Apartments Limited Partnership project property is in the best interest of the City of Reading; and

WHEREAS, the City of Reading intends to draft an agreement to modify certain terms of the Note securing the monies provided through the June 22, 1995 Loan Agreement between the City of Reading and the Elm View Apartments Limited Partnership.

THE COUNCIL OF THE CITY OF READING HEREBY RESOLVES AS FOLLOWS:

That the City of Reading consents to the sale of the Elm View Apartments Limited Partnership project property and the Mayor of the City of Reading is authorized to execute any and all documents required for the assignment of the above referenced loan and to modify certain Note and/or Loan Agreement terms, including but not limited to deferral of the July 2011 balloon payment, possible forgiveness of said balloon payment, and review of the July 2026 balloon payment for status determination.

Adopted by Council \_\_\_\_\_, 2011

\_\_\_\_\_  
President of Council

Attest:

\_\_\_\_\_  
City Clerk

(Law)



**RESOLUTION NO. \_\_\_\_\_ 2011**

**RECOGNITION OF UNCOLLECTABLE, SETTLED  
OR OTHERWISE RESOLVED LOAN**

**The City of Reading City Council hereby resolves as follows:**

City Council hereby recognizes and requests based upon research and recommendation by independent counsel the following loans be marked and /or written off as uncollectable, settled or otherwise resolved as so indicated due to either prior settlement of the loans, bankruptcy through which the debt was discharged, or the uncollectable of the loan as a result of either the inability to locate responsible persons, lack of a personal guaranty for the debt or expiration of the statute of limitations to recover said debt as a contract claim:

1. Loan Numbers 6-01-01 and 6-01-02 to Keystone Hosiery Mills, Inc. in the total amount of \$33,994.26 be marked as uncollectable
2. Loan Number 8-01-01 to Keystone Historic Partnership in the amount of \$250,000 be marked as settled and/or uncollectable
3. Loan Number 19-01-01 to Price Design Resources in the amount of \$63,966.81 be marked as settled and/or uncollectable
4. Loan Number 21-1-01 to ACH Design Industries in the amount of \$42,995.48 be marked as uncollectable
5. Loan Number 40-01-01 to Theodore Wysocki in the amount of \$26,000 be marked as uncollectable
6. Loan Number 41-01-01 to Brian and Sandra Schlappich in the amount of \$35,000 be marked as uncollectable
7. Loan Number 44-01-01 to Reading Restorations, Inc. t/a Widow Finney's Restaurant in the amount of \$80,000 be marked as uncollectable
8. Loan Number 46-01-01 to Dana Damato in the amount of \$47,449.46 be marked as uncollectable
9. Loan Number 68-01-01 to Master Tool and Manufacturing in the amounts of \$6,679.86 & \$18,666.41 be marked as settled
10. Loan Number 72-01-01 to Uhrig Enterprises, Inc. & DMU Enterprises in the amount of \$59,509.45 be marked as settled and/or uncollectable

11. Loan Number 74-01-01 to Tex-Mex Adelitas in the amount of \$30,929.90 be marked as uncollectable
12. Loan Number 117-01-01 to Grossman & Grossman Realty in the amount of \$41,622.18 be marked as settled and/or uncollectable
13. Loan Number 118-01-01 to Reading Railcar Repair, Inc. in the amounts of \$20,974.17 & \$41,944.55 be marked as settled and/or uncollectable
14. Loan Number 123-01-01 to Estela's Flowers and Gifts in the amount of \$50,000.00 be marked as uncollectable
15. Loan Numbers 136-01-01 and 136-01-02 to Bakery Limited Partnership in the amounts of be \$170,550.00 & \$640,000.00 marked as uncollectable and
16. Loan Number 138-01-01 to Maxim Logistics in the amount of \$168,285.94 be marked as settled and/or uncollectable.

Passed Council\_\_\_\_\_, 2011

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President of Council

Attest:

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City Clerk

Community Development/Law